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DEPT FOR EAP/K, EAP/PD, INR/EAP/K AND INR/IL/P
TREASURY FOR OASIA/WINGLE
USDOC FOR 4430/IEP/OPB/EAP/WGOLICKE
STATE PASS USDA ELECTRONICALLY FOR FAS/ITP
STATE PASS DOL/ILAB SUDHA HALEY
STATE PASS USTR FOR IVES/WEISEL

E.O. 12958: N/A

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SUBJECT: PRESS BULLETIN - February 5, 2009

Opinions/Editorials

[1](#)1. Obama Should Change His Dangerous View of Economy (JoongAng Ilbo, February 5, 2009, Page 26)

Features

[1](#)2. Department Stores to Sell U.S. Beef Next Month
(Hankook Ilbo, February 5, 2009, Page 20)

[1](#)3. Obama Administration's First Move on North Korea was to Impose Sanctions
(Chosun Ilbo, February 5, 2009, Page 3)

Top Headlines

Chosun Ilbo

Changing Labor-Management Culture Amid Economic Crisis:
Labor Unions Pledge to Refrain from Strikes, While Employers Promise
Not to Lay Off Employees

JoongAng Ilbo

There Are Still 130,000 Korean War Dead Whose Remains Have Not Been
Recovered. It is Urgent to Secure DNA Samples
of Families of Those Fallen Soldiers to Return Them
to Their Families

Dong-a Ilbo

ROKG Seeks 10 Trillion Won Supplementary Budget
to Boost Domestic Economy

Hankook Ilbo, Segye Ilbo

ROKG Pledges More Support for Troubled Firms

Hankyoreh Shinmun

Prosecution Under Criticism for Trying to Protect Police in
Investigation of "Yongsan Tragedy"

Seoul Shinmun

Obama Administration Imposes Sanctions on N. Korean Firms

Domestic Developments

[1](#)1. USFK Commander Gen. Walter Sharp said yesterday that an ROK-U.S.

Combined Air Force Command will be established in Osan, about 35 km south of Seoul, around 2012 after the ROK takes over wartime operational control of its troops from the U.S., in order to respond promptly to an emergency on the Korean Peninsula. (Chosun, Hankook, Segye)

¶2. According to an industry source, ROK department stores will sell U.S. beef as early as next month. (Hankook, Segye)

International News

¶1. According to the U.S. Federal Register notice, the State Department on Feb. 2 imposed two-year trade sanctions against seven foreign firms, including three North Korean companies, for being engaged in the proliferation of missile technology and weapons of mass destruction (WMDs). This is the first official decision of the Barack Obama Administration on North Korea, and shows the new U.S. administration's policy of dealing sternly with the North's proliferation activities while valuing dialogue in handling the communist state. (All)

¶2. The outgoing Chief U.S. Delegate to the Six-Party Talks, Assistant Secretary of State Christopher Hill, in a Feb. 3 farewell address at the Asia Society in New York, criticized North Korea as a "complete momentum killer" during the Six-Party Talks to resolve the North Korean nuclear issue. (Chosun, Hankook, all TVs)

¶3. According to a senior (ROK) military official, North Korea might test-fire a long-range Taepodong-2 missile on Feb. 16, North Korean leader Kim Jong-il's birthday, at the earliest. (JoongAng)

Media Analysis

North Korea

The ROK media gave prominent attention to the State Department's Feb. 2 imposition of two-year trade sanctions against three North Korean companies for being engaged in the proliferation of missile technology and weapons of mass destruction (WMDs). Most of the ROK media noted that this is the first official decision of the Barack Obama Administration on North Korea. In particular, conservative Chosun Ilbo commented in an inside-page report from Washington that this move shows the new administration's policy of dealing sternly with North Korea's proliferation activities while valuing dialogue in handling the communist state. Chosun also quoted a senior diplomatic source in Washington as saying: "The Obama Administration wants to solve problems through negotiations with North Korea. If the North doesn't cooperate, however, it could employ a firmer policy than the Bush administration." Chosun headlined its story: "Obama Administration's First Move on North Korea was to Impose Sanctions"

Regarding reports of a possible long-range missile test by North Korea, right-of-center JoongAng Ilbo quoted a senior (ROK) military official as saying yesterday: "It would be possible for North Korea to test-fire the long-range Taepodong-2 missile on Feb. 16, North Korean leader Kim Jong-il's birthday, if it hurries to set up the launch pad and to fill the missile with liquid fuel."

"Buy America" Clause

Right-of-center JoongAng Ilbo gave front-page play to President Obama's Feb. 3 interview with ABC News, in which he said: "I do not want provisions that are going to be a violation of WTO agreements or in other ways signal protectionism. I think that it would be a mistake right now. That is a potential source of trade wars that we can't afford at a time when trade is sinking all across the globe." JoongAng also editorialized: "It is fortunate that President Obama has put the brakes on the U.S. Congress' move to expand the 'Buy America' clause. However, the provision has not been fully withdrawn. Trade protectionism and extreme confrontation between the U.S and China would do no good, only leading to collective suicide. The exchange rate issue or trade friction should be resolved through dialogue and negotiation within the framework of the World Trade Organization (WTO), instead of threats and retaliation. It is very dangerous to take a look at the world economy from the perspective of U.S. workers. The U.S should return to free trade and international coordination. This is the right

path for the U.S and the world as a whole."

Opinions/Editorials

Obama Should Change His Dangerous View of Economy
(JoongAang Ilbo, February 5, 2009, Page 26)

In an inauguration speech, U.S President Barack Obama reiterated his views on "national interests" and "the position of laborers of the U.S. manufacturing industry". Apparently in line with this, the U.S government provided a bail-out package to the floundering Big Three companies. This is also true of the 'Buy America' clause which mandates use of only U.S-made steel products in construction. The world's fear of trade protectionism has reared its ugly head and become a reality. The new U.S. government appears to intend to push for re-negotiation for the Free Trade Agreement (FTA) and overhaul the signed North American Free Trade Agreement (NAFTA). This is a totally different stance from that of the former Bush Administration which underscored 'neoliberalism' and 'free trade.'

The U.S. has placed stronger pressure on China. In a confirmation hearing, U.S. Treasury Secretary Timothy Geithner said, "Currency manipulation by China remains one of the serious issues," pinpointing China as a currency manipulator. Now, a bill slapping retaliatory tariffs on the currency manipulator has been submitted for Congressional review. Chinese prime minister Wen Jiabao immediately struck back, saying "we will decide whether to additionally purchase U.S treasury securities after weighing national interests," hinting at a possible halt to the purchase. Excessive low valuation of Chinese yuan is a chronic disease of the world economy that needs to be remedied some time in the future. However, a tug-of-war between the U.S and China in the middle of the global economic crisis would deal a set back to the world economy.

Yesterday, reassuringly, President Obama put brakes on the movement by the U.S Congress to expand the 'Buy America' clause. However, the provision has not yet been fully withdrawn. At present, trade protectionism and heated confrontation between the U.S. and China would do no good, because it would only lead to collective suicide. The exchange rate issue or trade friction should be resolved through dialogue and negotiation within the framework of the World Trade Organization (WTO), instead of using threats and retaliation. It is very dangerous to view the world economy from the perspective of U.S. workers. The U.S. should return to enforcing free trade and international coordination. This is the right path for the U.S and the world as a whole.

Features

Department Stores to Sell U.S. Beef Next Month
(Hankook Ilbo, February 5, 2009, Page 20)

By Reporter Lee Sung-hee

Department stores will start to sell U.S. beef as early as next March.

According to the distribution industry on February 4, the "Big Three" department stores-Lotte, Hyundai, and Shinsegae-which have been weighing when to resume the sale of U.S. beef, will start to sell U.S. beef late next month at the earliest, or in April at the latest, on the judgment that amid an economic downturn, opposition to the sale of U.S. beef has been reduced considerably.

Hyundai Department Store is taking the most aggressive stance. Hyundai is pushing for a plan to sell U.S. beef, especially prime grade beef, as early as late March, and it is reportedly already making preparations with its business partners. Shinsegae also plans to resume U.S. beef sales as early as some time in March. With the Centum City branch set to open in Busan at the end of March, Shinsegae will reportedly start to sell U.S. beef at all its seven branches, except the Yongdungpo branch, at the same time, in time for the new branch opening. Lotte will start to sell U.S. beef around April. A Lotte official said, "Although we had planned to sell U.S. beef before the Lunar New Year holidays, we delayed it due

to a shortage of goods for sale. Since we are currently discussing the supply of U.S. beef with importers, we believe that it will be possible to sell U.S. beef in April."

Department stores are expected to sell prime grade beef, the top of eight grades, and L.A. galbi (U.S. beef ribs). An official of the beef import industry noted, "The import price of prime grade beef is 18,000 won per kilogram, but if the merchandise cost and the margin of profit are added, its selling price will be estimated at 36,000 won, twice as much as the import price."

Obama Administration's First Move on North Korea was to Impose Sanctions
(Chosun Ilbo, February 5, 2009, Page 3)

By Washington Correspondent Lee Ha-won

The U.S. bans three North Korean entities engaged in missile proliferation from trade with the U.S. for two years.

Washington values negotiations but takes a hard line if the North does not cooperate.

The new Barack Obama Administration is making clear in its initial days that, while actively pursuing dialogue with North Korea, it will not take a conciliatory approach towards the communist state.

Sanctions against North Korean businesses

With North Korea reportedly preparing for the launch of a Taepodong-2 missile, the U.S. Department of State imposed sanctions on three North Korean companies, saying that they have involved themselves in missile and technology proliferation related activities. In the Federal Register, the State Department confirmed that three North Korean entities—Korea Mining and Development Corp., Mokong Trading Corp., and Sino-Ki—are banned from trade with the U.S. for two years. This is not unusual, considering that the U.S. administrations have applied sanctions against North Korea every year under the Arms Export Control Act (AECA). However, a diplomatic source in Washington D.C. noted that Sino-Ki was newly added this time.

Since the U.S. and North Korea do not have diplomatic relations, there would be little possibility of North Korean companies trading with companies in the U.S. anyway, but as it is the Obama Administration's first sanction against North Korea, the U.S. government has made a symbolic gesture. It clearly shows that although the North was removed from the U.S. list of state sponsors of terrorism last year, Washington still sees the North as a "rogue state." Pyongyang, which has expected a "favor" from the Obama Administration, is likely to respond strongly to the sanction and consider it a "hostile step."

This step corresponds to President Obama's policy, who says that he will deal with sternness to prevent proliferation of weapons of mass destruction. President Obama said in a February 3 interview with CNN, "My most important job obviously is to keep the American people safe."

Washington uses UN Security Council Resolution 1718

The Obama Administration said that preparations to test-fire a missile violates UN Security Council Resolution 1718 and hinted at possible sanctions through the UN, if a missile is actually fired. State Department Deputy Spokesman Robert Wood stressed on February 3, "A ballistic missile launch by North Korea would be unhelpful (to security in Northeast Asia), and frankly, provocative," adding, "UN Security Council Resolution 1718 basically prohibits North Korea from engaging in missile-related activities." In the wake of the North's nuclear test in October 2006, the UN Security Council called on the North to suspend all activities involving its ballistic missile programs.

The Obama Administration plans to resolve North Korean nuclear issues through the Six Party Talks and push for normalization with North Korean cooperation.

However, the Obama Administration appears to be wary of the view that a "more active dialogue" is construed as a weakening of its North Korean policy. According to the White House, President Obama, in a telephone conversation with President Lee Myung-bak, laid out as a policy goal, "verifiable scrapping of the North Korean nuclear weapons and nuclear programs." If North Korea complies, it will lead to a reconciliatory mood between the U.S. and North Korea. But if North Korea causes trouble, the U.S. is determined to act sternly.

In fact, three key U.S. policy makers for the Korean Peninsula in the Obama Administration, Campbell, the nominee for Assistant Secretary of State for East Asian and Pacific Affairs, Gregson, the nominee for Assistant Secretary of Defense for East Asian and Pacific Affairs, and Bader, the Senior Director for Asian Affairs at the National Security Council, said critically that Christopher Hill, the chief U.S. delegate to the Six Party Talks, made too many concessions.

A senior diplomatic source in Washington, D.C. said, "The Obama Administration wants to resolve problems through negotiations with North Korea. But if North Korea does not cooperate, it could employ a harder-line policy than the Bush Administration."

Stephens